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**CREDIT CONTROLS**

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**DEFENSE BULLETIN No. 1**

CONSUMER INSTALMENT  
CREDIT CONTROLS

October 3, 1950

In connection with the national defense program, consumer instalment credit controls have been reimposed through the issuance of a new Regulation W adopted by the Board of Governors of the Federal Reserve System, effective September 18, 1950. Every REA borrower using installation loan funds is subject to this newly effective Regulation W and must file, within 60 days after September 18, 1950, with the Federal Reserve Bank or any branch thereof in the district in which the main office of the borrower is located, a registration statement on a form obtainable from any Federal Reserve Bank or branch. The new Regulation W requires that such statement shall be filed regardless of whether or not the borrower had filed such a statement under Regulation W as in effect at any time prior to September 18, 1950.

Consult your system attorney with respect to the filling out and filing of the registration statement.

So that REA will know that you have registered and will be in a position to continue to advance installation loan funds to you, please provide on the reverse side of your next Monthly Installation Loan Report (REA Form AL-69), the following information:

1. Date of filing.
2. Name of the Federal Reserve Bank with which you have filed.

As was the case with the previous Regulation W's, the presently effective Regulation W, among other things, prescribes the maximum maturity period, the minimum down payment, and the amount and interval of instalment payments.

There is attached hereto a copy of our letter of August 31, 1950, to all REA borrowers entitled "Program Adjustment in View of National Defense" which contains a list of equipment and appliances that may be financed with Section 5 loan funds. The provisions of Regulation W, of course, will apply to such financing.

Attached is a copy of the new Regulation W.

*Claude R. Wickard*

Administrator

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- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL ELECTRIFICATION ADMINISTRATION  
WASHINGTON 25, D. C.

August 31, 1950

To : All REA Borrowers  
From : Claude R. Wickard, Administrator  
Subject: Program Adjustments in View of National Defense

In view of the present international situation and the enlarged national defense program, the President has asked that the credit programs of the Federal Government be tightened, consistent with the restrictive policy already in force for housing credit. He has also asked Government agencies to cooperate in conserving supplies of critical materials.

Consequently, REA will, until further notice:

- (1) Make loans for borrowers' headquarters buildings only in cases where no other adequate facilities are available. In cases where loans are made for this purpose, it will be essential that all headquarters buildings be as economical as the system's needs permit.
- (2) Limit the financing of consumer facilities (under Section 5 of the Rural Electrification Act) to those which are essential to the welfare of rural families or to efficient farming. Loans and advances of loan funds under Section 5 will be restricted to financing equipment and appliances listed on the attached sheet except for such consumer obligations as may have been approved or accepted by your Credit Committee prior to receipt of this notification.

In addition, we urge all borrowers to purchase only such materials as are required to meet normal and immediate needs for minor construction and for operation and maintenance. In the case of major construction by labor only contract or force account, you are urged to purchase only such quantities of materials as are shown on REA-approved plans and specifications.

You will be informed if there are changes in the above or other procedures.

Attachment

*Claude R. Wickard*

June 11, 1900

Mr. J. B. [illegible]

My dear Mr. [illegible]

I have just received your letter of the 10th inst.

and am glad to hear that you are well and  
hopeful. I am sure that the  
[illegible] will be a great success.  
I am, dear Mr. [illegible],  
very truly yours,  
[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Charles B. [illegible]

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL ELECTRIFICATION ADMINISTRATION  
WASHINGTON 25, D. C.

August 31, 1950

LIST OF EQUIPMENT AND APPLIANCES ELIGIBLE  
FOR FINANCING WITH SECTION 5 LOAN FUNDS  
UNDER RESTRICTED PROGRAM

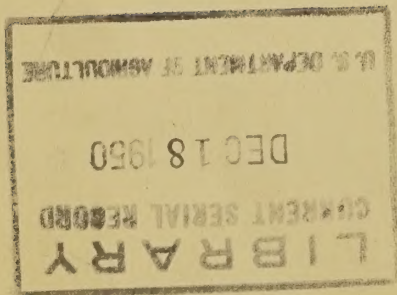
Farm equipment that will aid in the production of farm products and their processing, handling and preservation, including motors and electrical irrigation equipment.

Electric water systems and plumbing equipment, including fixtures.

Electrical equipment for the preparation and preservation of food, such as refrigeration equipment, ranges, roasters, hotplates, and mixers, but excluding toasters, waffle makers, sandwich grills, and other similar items.

Laundry, cleaning and sewing equipment.

Wiring and lighting equipment, including fixtures.



**GENERAL****DEFENSE BULLETIN No. 2**

October 18, 1950

PART I - DEFENSE PRODUCTION ACT OF 1950  
AS IT AFFECTS REA BORROWERS

The purpose of the Defense Production Act, which became effective September 8, 1950, is to enable the United States to develop and maintain the military and economic strength needed to promote peace.

In order to carry out this purpose, Congress has conferred upon the President the following powers:

Title I - Priorities and Allocations

The President is authorized (1) to require that performance of contracts which he deems necessary or appropriate to promote national defense shall take priority over performance of other contracts, and (2) to allocate materials and facilities as he deems necessary and appropriate for national defense.

Section 102 provides that "no person shall accumulate (1) in excess of the reasonable demands of business, personal, or home consumption, or (2) for the purpose of resale at prices in excess of prevailing market prices, materials which have been designated by the President as scarce materials or materials the supply of which would be threatened by such accumulation." Presumably these controls will affect inventories of REA borrowers. More detailed information will be given in subsequent bulletins.

Title II - Authority to Requisition

The President is authorized to requisition equipment, materials or supplies needed for the national defense upon the payment of just compensation. This is unlikely to affect REA borrowers for the present.

Title III - Expansion of Productive Capacity  
and Supply.

The President is authorized to make loans and guarantees in connection with Government procurement contracts to expedite production and deliveries. This is unlikely to affect REA borrowers for the present.

#### Title IV - Price and Wage Stabilization

The President is authorized to encourage voluntary programs to carry out price and wage stabilization. To the extent that voluntary plans fail, the President may establish price ceilings with respect to a particular material or service, and at the same time stabilize wages, salaries and other compensation affecting these materials or services.

Of particular interest to REA borrowers is Section 402 (e) (v) which exempts from the controls under this Title rates charged by a public utility. Retail rates of most REA cooperative borrowers would be subject to controls under this Title. Those which, under applicable State laws, are deemed "public utilities," would be exempt. Wholesale rates for power purchased by REA borrowers from a public utility are exempt. It is believed that the exemption of public utilities would relate only to utilities which are subject to State regulation. It is further provided, however, "That no common carrier or other public utility shall at any time after the President shall have issued any stabilization regulations and orders under subsection (b) make any increase in its charges for property or services sold by it for resale to the public, for which application is filed after the date of issuance of such stabilization regulations and orders, before the Federal, State or Municipal authority having jurisdiction to consider such increase, unless it first gives 30 days' notice to the President, or such agency as he may designate, and consents to the timely intervention by such agency before the Federal, State or Municipal authority having jurisdiction to consider such increase." This means, in effect, that no increase in wholesale rates charged by a public utility to an REA borrower could become effective until after the prescribed notice is given and then only after an opportunity to intervene has been afforded to the designated Federal agency.

#### Title V - Settlement of Labor Disputes

The President is authorized to initiate voluntary conferences between management, labor and such persons as the President may designate to represent Government and the public. In any such conference, due regard shall be given to terms and conditions of employment established by prevailing collective bargaining practice which will be fair to labor and management alike, and will be consistent with stabilization policies established under this Act. No immediate effect on REA borrowers is apparent.

#### Title VI - Control of Consumer and Real Estate Credit.

The President is authorized to prescribe regulations with respect to consumer and real estate credit. One of the first actions under this Title was the re-issuance by the Federal Reserve Board of Regulation W described in REA Defense Bulletin No. 1, dated October 3, 1950.

Title VII - General Provisions

Section 707 of the Act provides that no person shall be held liable for damages or penalties for any act or failure to act resulting directly or indirectly from his compliance with a rule, regulation or order issued pursuant to the Act.

Penalties of fines, imprisonment, or both are provided for violations of the regulations or orders issued pursuant to the Act.

PART II - EXECUTIVE ORDER 10161 - DELEGATING CERTAIN FUNCTIONS OF THE PRESIDENT UNDER THE DEFENSE PRODUCTION ACT OF 1950.

The President, by Executive Order 10161, delegated various functions and powers given to him by the Defense Production Act of 1950.

With respect to Title I - Priorities and Allocations - the President delegated authority (a) to the Secretary of the Interior with respect to petroleum, gas, solid fuels and electric power, (b) to the Secretary of Agriculture with respect to food, and with respect to the domestic distribution of farm equipment and commercial fertilizers, (c) to the Interstate Commerce Commission with respect to most phases of domestic transportation, (d) to the Secretary of Commerce with respect to all materials and facilities, except as provided in paragraphs (a), (b), and (c), above.

With respect to Title IV - Price and Wage Stabilization - the President created a new and independent agency to be known as the Economic Stabilization Agency headed by an Economic Stabilization Administrator. The functions conferred upon the President by Title IV are delegated to the Administrator.

In the Economic Stabilization Agency there shall be a Director of Price Stabilization and also a Wage Stabilization Board of nine members.

Pursuant to the delegations with respect to Title I of the Act, the Secretary of Commerce has established the National Production Authority; the Secretary of the Interior has established the Minerals and Energy Administration; the Interstate Commerce Commission has established the Defense Transport Administration.

The Secretary of Labor has established the Office of Defense Manpower to handle matters relating to functions which the President has delegated to the Secretary of Labor.

*Claude R. Wickard*  
Administrator

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Charles R. Wickard

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**MATERIALS CONTROLS**

DEFENSE BULLETIN No. 3

October 30, 1950

NATIONAL PRODUCTION AUTHORITY REGULATION #2  
BASIC RULES OF THE PRIORITIES SYSTEM

NPA Regulation No. 2, issued October 3, 1950, states the basic rules of the priorities system to be administered by the National Production Authority. This regulation requires no immediate action by REA borrowers, but it sets up a system of defense priorities relating to most of the industrial materials and equipment used by the borrowers for construction. (For information as to materials and services regulated by NPA, see REA Defense Bulletin No. 2, dated October 18, 1950.)

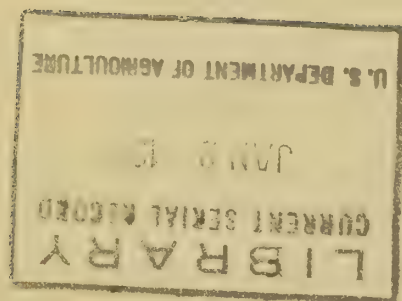
The regulation authorizes a single priority rating, to be known as a "DO rating." Any person having a DO rating may get delivery of material or the performance of services which are subject to NPA regulation ahead of persons who do not have such a rating. The producer of the equipment or services being ordered must accept the order and give it priority over non-defense orders he may have in process. All DO-rated orders have equal preferential status.

The National Production Authority will assign the DO rating to persons or classes of persons entitled to use it. To date, such authority has been assigned only to contractors and their subcontractors having contracts with the Department of Defense and the Atomic Energy Commission. Thus, the only way REA borrowers can be affected by materials priorities for the present is in case some of their suppliers have DO-rated orders which must be placed ahead of non-defense orders. If suppliers make any allocation of materials among their non-defense customers, it is purely a voluntary action on the part of the suppliers.

*Claude R. Wickard*

Administrator





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**MATERIALS CONTROLS****DEFENSE BULLETIN No. 5**

November 3, 1950

NATIONAL PRODUCTION AUTHORITY REGULATION #1  
INVENTORY CONTROLI. MATERIALS COVERED AND PERSONS AFFECTED

The purpose of NPA Regulation 1 is to prevent the accumulation of excessive inventories of materials in short supply. The regulation applies only to certain materials listed therein, the most important of which, from the REA borrower's viewpoint, are conductor, guy wire and piping. It does not apply to ultimate consumers buying for personal or household use but does apply to everyone else buying or selling either for use or for resale. REA borrowers may continue to purchase materials for new construction, as well as maintenance, so long as they do not accumulate excessive inventories, as defined in the Regulation.

II. RESTRICTIONS ON BUYERS

No person may receive or accept delivery of any of the materials listed in the regulation if his inventory of that material is, or by such receipt would become, more than a practicable minimum working inventory. A "practicable minimum working inventory" is defined to mean the smallest quantity of material from which a person can reasonably meet his deliveries or supply his services on the basis of his currently scheduled method and rate of operation.

Persons may not order materials from one or more suppliers totaling more than the amounts which may be accumulated under this regulation.

Outstanding orders placed before the effective date of the regulation (September 18, 1950) must be promptly cancelled, reduced or deferred, so that the practicable minimum working inventory will not be exceeded. In cases where separate inventory records are kept concerning separate operating units, the regulation applies to each such operating unit independently.

### III. RESTRICTIONS ON SELLERS

No person may deliver any material if he knows or has reason to believe that his customer is not permitted to receive it under the regulation.

### IV. KEEPING RECORDS

From September 18, 1950, each person subject to the regulation must retain in his possession the records which he customarily maintains of inventories, receipts, deliveries and use. This does not require any addition to present accounting records and methods and does not specify any particular accounting method. This provision emphasizes the necessity for REA borrowers to keep complete and accurate materials records and to retain such records.

### V. GENERAL PROVISIONS

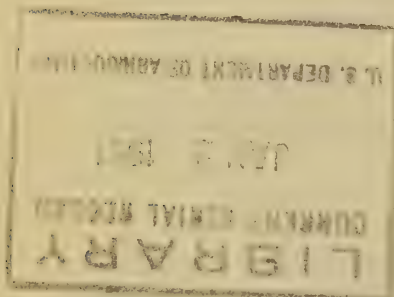
A person affected by the regulation may file an application for an adjustment or exception upon the ground that such provision works an exceptional and unreasonable hardship upon him not suffered generally by others in the same trade or industry or that its enforcement against him would not be in the interest of the national defense program. Such application should be addressed to the National Production Authority, Washington 25, D. C., Ref: R-I.

Persons complying with the regulation are entitled to the protection afforded by Section 707 of the Defense Production Act of 1950, relating to immunity for breach of contract. (See REA Defense Bulletin No. 2, dated October 18, 1950.)

Penalties of fine, imprisonment or both are provided for violation of this regulation.

*Claude R. Wickard*

Administrator



**DEFENSE BULLETIN No. 6**

November 28, 1950

ALUMINUM CONTROLS UNDER NPA ORDER M-7;  
EFFECT ON REA BORROWERS

National Production Authority Order M-7, effective November 13, 1950, calls for reduced use of aluminum in the civilian economy, in order to provide the necessary quantities of aluminum for the rearmament effort.

In general, the order will cut non-defense use of aluminum in 1951 to 65 percent of the 1950 level. This does not necessarily mean, however, that the use of aluminum conductor by REA borrowers will have to be curtailed to that extent.

For the present, REA borrowers may use all aluminum conductor on hand, or for which suppliers have accepted orders before November 13, 1950, for delivery before April 1, 1951. Thereafter, although no exemption is assured, it is hoped that an additional supply of aluminum conductor will be available to the borrowers, with certain limitations on its use, under forthcoming NPA or other Governmental regulations. See III (c), below.

Following is a brief description of the provisions of Order M-7:

**I. APPLICATION**

The Order applies to all persons who use any aluminum for manufacture or construction, or for maintenance, repair, or operating supplies. The word "aluminum" is defined to include, among other forms, electric wire and cable.

**II. RESTRICTIONS ON USE**

During December 1950, no person may use in manufacture or construction more aluminum (by weight) than his average monthly use during the first six months of calendar 1950.

During each of the four quarters of 1951, no person may use in manufacture or construction more than 65 percent of his average quarterly use of aluminum during the first six months of 1950. Use of aluminum in any one month may not exceed 40 percent of the quarterly allowance.

With respect to maintenance, repair and operating supplies, no person may use during any six-month period (beginning January 1, 1951) more aluminum than he used during the first six months of calendar 1950.

With respect to inventories, the order limits users of aluminum to the amount needed to maintain normal operations for a 60-day period. A user who would not normally keep a 60-day supply of aluminum on hand is limited to maintaining a "practicable minimum working inventory" (see REA Defense Bulletin No. 5, dated November 3, 1950).

### III. EXEMPTIONS

The following are exempt from the provisions of the Order:

(a) DO-rated orders, as described in REA Defense Bulletin No. 3, dated October 30, 1950. REA borrowers are not eligible for this rating.

(b) Aluminum conductor on hand or for which suppliers have accepted orders prior to November 13, 1950 for delivery before April 1, 1951. This exemption applies only to conductor and not to any other forms or products of aluminum, even though they might be used for production, transmission or distribution of electricity.

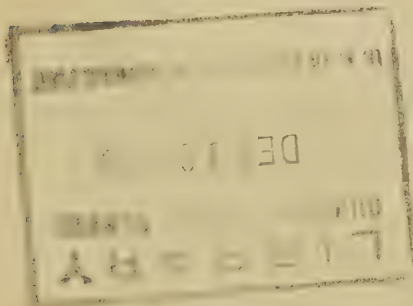
(c) Aluminum products which NPA, by specific direction, may exempt from this Order. In this connection, REA has brought to the attention of NPA officials the serious effect on farm production that would result from sharp curtailment in the supply of aluminum available for rural electrification. As a result, it is hoped that NPA will, in the near future, allocate a supply of aluminum for use in the REA program to the Defense Power Administration of the Department of the Interior. If and when this arrangement is completed, REA borrowers will be provided with detailed information.

### IV. RECORDS

REA borrowers and all other persons subject to this Order are required to preserve the records which they have maintained since January 1, 1950, of inventories, receipts, deliveries and uses of aluminum forms and products, and to preserve such records which they maintain in the future.

*Claude R. Wickard*

Administrator



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## DEFENSE BULLETIN No. 7

December 26, 1950

COPPER CONTROLS UNDER  
NPA ORDERS M-12 AND M-16

National Production Authority Order M-12, effective November 29, 1950, places limits on civilian use of copper in December 1950 and the first quarter of 1951.

When the Order was issued, REA pointed out to NPA and the Defense Power Administration that it would be administratively impracticable to apply a percentage reduction to the use of copper conductor by each individual REA borrower and that such a plan would restrict the over-all rural electrification program much more than was contemplated in the Order. New borrowers or those building new sections would have had to apply individually to NPA for adjustments or exceptions on a hardship basis, while other borrowers which were large users of copper conductor in 1950 might have their major programs completed before 1951.

Accordingly, NPA informed REA, by letter of December 18, that, so far as use of copper conductor for new construction is concerned, all REA electrification borrowers will be considered together as one user for the purposes of the Order and will collectively reduce their use of copper, as required by the Order. Distribution among borrowers individually of the permitted use will be determined by REA, subject to such regulations as the Defense Power Administration may make. Details are being sent to all borrowers in separate letters.

Also, NPA will permit REA's telephone borrowers as a group to use 133 tons of copper in conductor during December 1950 and the first quarter of 1951, with distribution of permitted use among those borrowers individually to be determined by REA.

Note that in both the electrification and the telephone program, these arrangements apply only to permitted use, and not to how or where the conductor may be obtained.

Following is a brief description of the provisions of Order M-12 which are of particular interest to REA borrowers:

#### I. APPLICATION

The Order applies to all persons who use copper in conductor for construction, or for maintenance, repair, or operating supplies. With regard to other manufactured equipment containing copper (such as transformers and generating equipment), the limitation on use is placed on the manufacturer, rather than on the ultimate user of the equipment. Thus, the borrowers' use of copper in conductor is limited directly, and their use of other equipment containing copper is limited indirectly.

#### II. RESTRICTIONS ON USE

With respect to construction, copper conductor use during December 1950 by all REA borrowers collectively may not exceed the average monthly use of such material during October and November 1950. During each of the first two months of 1951, use of copper conductor is restricted to 85 percent of the average monthly use during the first six months of 1950. It is limited to 80 percent of that amount during March 1951.

With respect to maintenance, repair and operating supplies, use of copper in conductor by an individual REA borrower during the first quarter of 1951, and each calendar quarter thereafter, may not exceed the average quarterly use for such purposes during the first six months of 1950.

#### III. LIMITATIONS ON INVENTORY

Users of copper conductor for construction or for maintenance, repair or operating supplies may not receive or accept delivery of such material if their inventory is, or by such receipt would become, in excess of that necessary to meet deliveries or supply services on the basis of their scheduled method and rate of operation during the succeeding 60-day period, or in excess of a "practicable minimum working inventory" (see REA Defense Bulletin No. 5, dated November 3, 1950), whichever is less.

This does not prohibit a borrower from placing orders for copper conductor for future needs. It does mean that such conductor could not be received and placed in inventory if doing so would place the borrower in violation of the inventory limitation at the time when the conductor is delivered.

#### IV. RECORDS

REA borrowers and other users of copper conductor are required to preserve the records which they have maintained of inventories, receipts, deliveries and uses of such material commencing with January 1, 1950.

V. PENALTIES

Penalties of fine, imprisonment or both are provided for violation of this Order.

VI. SCRAP

Order M-16, effective January 1, 1951, regulates the acceptance, delivery, and distribution of copper scrap and copper-base alloy scrap. An exemption from the restrictions on disposal of scrap is provided so that REA borrowers may use in their own operations copper wire or cable which has become scrap by obsolescence.

VII. FUTURE INDUSTRY PROGRAM

Note that the foregoing provisions as to use of copper in construction relate only to the period ending March 31, 1951. For the period after the first quarter of 1951, it is anticipated that a program will be developed which will be specifically applicable to the electric utility industry for use of copper products and aluminum conductor and accessories. It is hoped that a special program for the REA borrowers will be included.

*George W. Haggard*

Acting Administrator

NOTE: Defense Bulletin No. 6, dated November 28, 1950, was incorrectly labelled CREDIT CONTROLS in the upper right-hand corner. Please correct file copies to read MATERIALS CONTROLS.

